

## **Utah Recycling Market Development Zone Sunset Review 2008**

The 1996 House Bill 249 started Utah's recycling business incentives. Since then, a partnership between the Governor's Office of Economic Development (GOED) and the Recycling Coalition of Utah (RCU), a non-profit organization, has worked to implement and oversee the program. The legislation was reviewed and reauthorized by the Utah legislature in 1999.

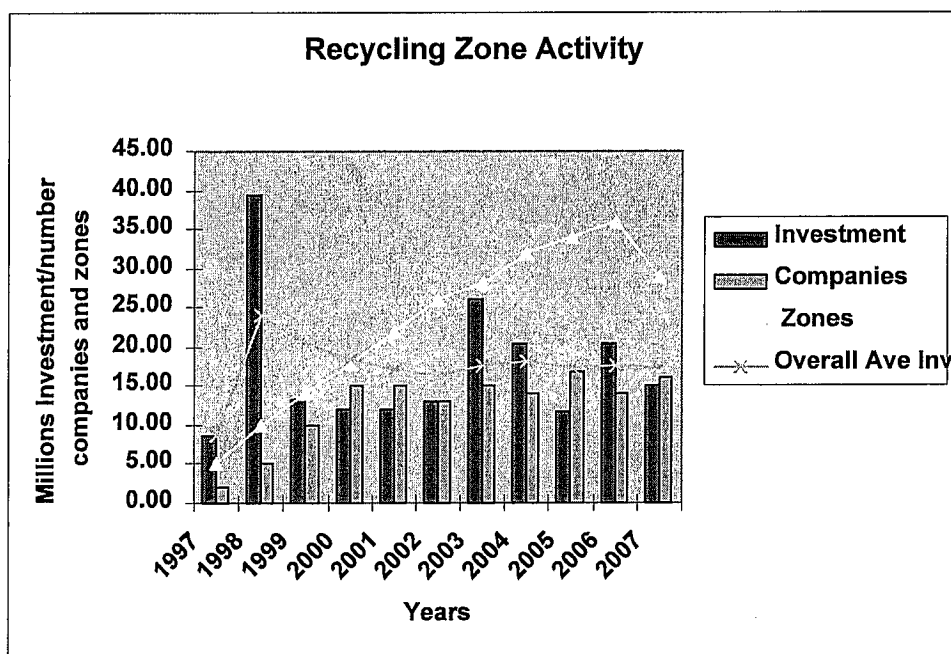
Recycling market development continues to gain interest and significance throughout Utah in both the private and public sectors. Communities realize the benefits of recycling, which include saving natural resources and landfill space, reducing energy costs, and preventing pollution. Businesses realize the incentives make a significant difference in operating in Utah. Since the RMDZ program started, numerous communities have expressed interest which has led to 34 communities receiving zone designation and 29 are currently active. This is represented in Graph A.

One of the most common barriers to recycling, however, is the low market price for recyclable materials. The Recycling Market Development Zone (RMDZ) program was designed to stimulate and even develop markets for recyclables in Utah. The ability to continue and maintain recycling programs is greatly enhanced by the establishment of local markets for recyclable material which leads to increased business activity.

Across the board, the incentives offered by the RMDZ program continue to make a difference in capital investment and job creation in Utah. This type of investment moves recycling and recycling market development forward in Utah. Nucor Inc. which operates a steel mill in Plymouth, has recently invested many millions in a steel building manufacturing plant in Brigham City, Nucor Building Systems. RMDZ played a major part of this location decision.

During this past year, Utah businesses located in RMDZ areas reported the creation of 314 new jobs. Investment in 2006 was just over 20M. Year to date investment in 2007 is 15M. By comparison, industry investments were \$20.5 million in 2004 and \$11.8 million in 2005. The main state incentive is a refundable income tax credit of 5% on the investment in eligible machinery and equipment. The ability for companies to claim the income tax credits depends on their individual tax liability for any given tax year. The law allows a company to eliminate up to 40% of current tax liability with earned tax credits while any surplus can be carried forward up to three tax years. A history of business investment can be found in Chart A below.

Chart A



Some examples of companies that use recycled feedstock

1. Hyrum, Alsop Insulation (paper)
2. Brigham City, Vulcraft (steel)
3. Smithfield, Heritage Glass (glass)
4. Payson, Temkin International (plastics)
5. Circleville, Dalton Brothers (wood waste)
6. Provo, Pacific Cast Iron Pipe, (steel)

### Program Goals

GOED feels businesses thrive on sound decisions and a competitive business environment and not on business regulations. Objectives of the statute are to promote economic development related to the recycling and manufacturing industries. A major goal for this program is to encourage the use of recycled commodities in manufactured goods. If no local markets are established, low value recyclables will not find end uses, because of the cost to ship to out of state markets. As prices rise, these commodities will be shipped to out of state markets and Utah loses the potential added value of these resources. The viability of many of Utah's recycled commodities depends on local use. Providing investment incentives to Utah businesses can assist market forces and provide new business opportunities.

## Return on Investment

By state statute eligible companies are defined as those which collect, process, transport or manufacture with a recycled commodity. Composting is considered to be recycling and recycling for energy production is not included.

Since 1997 these companies have invested **\$183.5M** in equipment and have created almost **1900** jobs with an estimated accumulative payroll of **\$39.2M**. The new equipment has generated **\$ 11.6M** in local property taxes and **\$800K** in local sales taxes. On the state level, these new wages have generated **\$2M** in state sales taxes and **\$ 1.5M** in new state income taxes. This results in a return on investment of **2.7** for the state of Utah. (See Chart B)

There are additional benefits that are more difficult to measure. These include the savings associated with not expanding existing or developing new landfills, not to mention the social costs and efforts associated with developing a new landfill. Over and over again local groups will oppose any landfill in close proximity to their properties, hence these operations must be located a great distances from populated areas. This increases the cost of operations and energy for the transportation of waste. The diverted materials to be recycled can be directed to local companies for their products and operations. The Recycling Market Development Zone Program helps reduce state costs and preserves resources and increase business activity.

**Chart B**  
**Return on Investment**

Total Tax Credits given	\$ 5.85
Total Tax Credits earned	\$ 9.17
Total Equipment Investment	\$ 183.45
Total New Payroll	\$ 39.15
New Payroll Taxes	\$ 1.47
New Local Property Taxes	\$ 11.61
Sales Taxes	\$ 2.70
Total Benefit	\$ 15.77
Total Costs	\$ 5.85
<b>Return on Investment</b>	<b>2.70</b>

\* The ROI chart uses current dollars (in millions) and is based on a 10 year depreciation schedule using Salt Lake City District 13 property tax rates. All equipment is fully depreciated at 10 years. Sales taxes are derived by using a 5 year (2003-2007) average ratio of total state sales taxes collected and total state wages. Wages based on an average of \$10 per hour and all jobs were retained for the accounting period.